

Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 DODE-00 PA-04 USIA-15

PRS-01 SS-20 NSC-07 PM-07 DRC-01 /151 W

----- 041304

R 271304Z SEP 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 4011

UNCLAS TEL AVIV 5500

E O 11652: N/A

TAGS: EFIN, IS

SUBJECT: CABINET APPROVES SUPPLEMENTARY BUDGET

REF: TEL AVIV A-165

1. ON SEPTEMBER 22, ISRAELI CABINET APPROVED A SUPPLEMENTARY BUDGET REQUEST OF IL 2.9 BILLION (DOLS 690.5 MILLION) WHICH WOULD RAISE TOTAL CENTRAL GOVT BUDGET BY 8.3 PERCENT TO IL 38.3 BILLION (DOLS 9.1 BILLION). GOVT WILL PRESENT BUDGET TO THE KNESSET IN OCTOBER AND CLAIMS IT IS LOGICAL RESULT OF ECONOMIC MEASURES TAKEN IN JULY DESIGNED TO RESTRAIN INFLATIONARY PRESSURES (TEL AVIV A-3661 OF JULY 3, AND TEL AVIV 3940 OF JULY 15).

2. NO OFFICIAL DOCUMENT AVAILABLE, BUT ACCORDING TO PRESS REPORTS, ADDITIONAL FUNDS CAN BE ESTIMATED AS FOLLOWS:

A. REVENUE: (1) IL 1.2 BILLION FROM INTENSIFIED TAX COLLECTION; (2) IL 1.1 BILLION FROM RAISING COMPULSORY WAR-LOAN RATES; (3) IL 1.2 BILLION FROM 10 PERCENT RISE IMPORT SURCHARGE; (4) IL 200 MILLION FROM INCREASED PROPERTY TAX; AND (5) IL 200 MILLION FROM OTHER SOURCES. MOREOVER, THE ORIGINAL REVENUE ESTIMATES MUST BE REVISED DOWNWARD BY

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IL 1 BILLION DUE TO THE RESTRAINING EFFECT OF THE ECONOMIC

MEASURES ON PUBLIC SPENDING TAKEN IN JULY. BOTH LOAN ISSUES (MAINLY GOVT INDEX-LINKED BONDS) AND VOLUNTARY WAR LOAN ARE EXPECTED TO DECLINE BY IL 500 MILLION EACH. (VOLUNTARY WAR LOAN WILL THUS YIELD NO REVENUE DURING CURRENT FISCAL YEAR.)

B. EXPENDITURES: (1) IL 600 MILLION FOR INCREASED EXPORT SUBSIDIES: (2) IL 525 MILLION FOR EXTRA COSTS OF GOVT FOREIGN PURCHASES BECAUSE OF INCREASED IMPORT SURCHARGES (A BOOKKEEPING MANIPLATION), OF WHICH IL 410 MILLION FOR NATIONAL SECURITY, IL 75 MILLION FOR SUBSIDIZING IMPORTED STAPLES, AND IL 40 MILLION FOR OTHER GOVT IMPORTS: (3) IL 217 MILLION AS COMPENSATION TO LOW-INCOME GROUPS FOR RISING PRICES CAUSED BY THE ABOVE-NENTIONED MEASURES: (4) IL 55 MILLION FOR ADDITIONAL GRANTS TO LOCAL AUTHORITIES: AND (5) IL 1.5 BILLION WILL SERVE AS A BUDGETARY SURPLUS DESIGNED TO MOP UP EXCESS LIQUIDITY FROM THE PUBLIC AND/OR AS A RESERVE FOR FUTURE UNSPECIFIED PROJECTS (SHOULD THE DEFLATIONARY STEPS BRING ABOUT A SERIOUS RECESSION), AND/OR FOR OFFSETTING UNFORESEEN DROPS IN RECEIPTS.

3. BUDGET DIRECTOR GAFNI SAID AT PRESS CONF HE DID NOT RULE OUT POSSIBILITY OF PRESENTING SECOND SUPPLEMENTARY BUDGET DURING CURRENT FISCAL YEAR, ENDING MARCH 31, 1975 SHOULD ECONOMIC DEVELOPMENTS DICTATE SUCH A MOVE.
VELIOTS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CERP 0200, CERP 0201, CENTRAL GOVERNMENT, GOVERNMENT EXPENDITURES
Control Number: n/a
Copy: SINGLE
Draft Date: 27 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TELAV05500
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740273-0383
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974095/aaaaaenk.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: TEL AVIV A-165
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUL 2002 by maustmc>; APPROVED <05 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CABINET APPROVES SUPPLEMENTARY BUDGET
TAGS: EFIN, IS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005